

Central African Republic

Recent macroeconomic and financial developments

With the pandemic and insecurity still present, GDP growth stabilized at 0.3% in 2021, while pre-COVID-19 projections had been for 3.3% growth. The agriculture, hotel, and diamond sectors were the most hit, while the services sector (transport, trade, and finance) remained at around 42% of GDP. The worsening economic situation led to a drop in public revenues even as the health situation required an increase in social protection spending, widening the budget deficit in 2020 and 2021 to 3.5% and 5.7% of GDP. Still, public debt fell slightly from 47% of GDP in 2020 to 46% in 2021.

The security situation and supply chain disruptions pushed inflation to 4.4% in 2021 from 2.3% in 2020. In November 2021, the Bank of Central African States (BEAC) raised its Interest Rate on Tenders from 3.25% to 3.5% and its Marginal Lending Facility Rate from 5% to 5.25% to replenish the region's foreign exchange reserves. The current account deficit increased to 10.5% of GDP in 2021 from 8.7% in 2020. The financial and banking sector is still embryonic, dominated by a few commercial banks and microfinance institutions based in Bangui. In 2019, unemployment was around 34.5%–36% in urban areas and 30% in rural areas, and 42.5% among women and 28.5% among men. In 2017, the Central African Republic was one of the poorest countries in the world, with an estimated poverty rate of 75%.

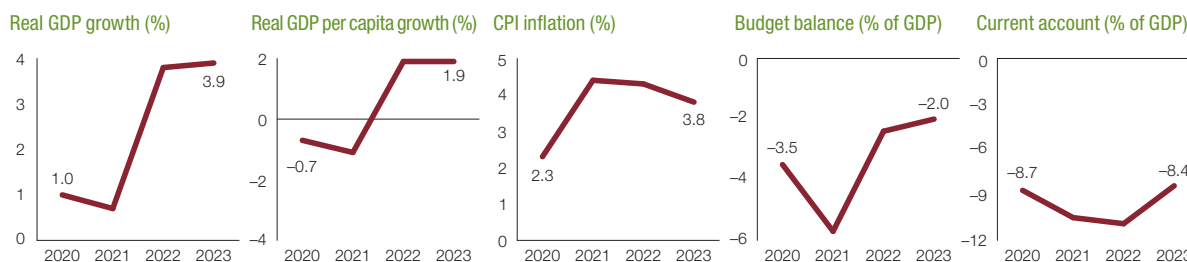
Outlook and risks

The Bank projects GDP growth to rebound to 3.8% and 3.9% in 2022 and 2023, reflecting completion of structural projects in transport and energy. Agriculture, mining, and public works are also seen rebounding. Inflation is forecast to increase to 4.3% in 2022 and

3.8% in 2023 due to the Russia–Ukraine conflict. Tax reforms, notably consolidation of public funds alongside control of current expenditure, are projected to reduce the budget deficit to 2.4% in 2022 and to 2% in 2023. The public debt ratio is forecast to continue declining, to 44% of GDP in 2022 and 42.3% in 2023. The current account balance is projected to remain in deficit at 10.9% of GDP in 2022 and 8.4% in 2023, a slight improvement on better terms of trade. A continuing pandemic, combined with falling commodity prices and deteriorating internal security, conjugated with the Russia–Ukraine conflict, could undercut growth, however.

Climate change issues and policy options

The country is 70 on the 2021 GCRI. Environmental risks are land and watershed degradation and loss of biodiversity among ecosystems and species. The country has ratified international agreements to combat global warming, including one with the EU on forest regulation and with the Programme des Nations Unies pour la Gestion du Bassin du Congo. Strategies and policies include the National Forest Monitoring Strategy, the National Strategy to Combat Deforestation and Forest Degradation, and the National Policy on the Environment. The Central African Republic has set targets for 2030 on land degradation neutrality: restore 50% of vegetation cover (that is, 19,384 ha); reduce loss of land productivity by 50% and the biomass rate by 25%; increase the soil's organic carbon rate by 10%; reduce GHGs by 5%; and restore 20% of mining areas. Although the country has considerable renewable water resources, only 30% of the population has access to clean drinking water—rates range from 36.5% in Bangui to 27% in rural areas.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.